

## SW Morris & Associates Ltd Newsletter

Welcome to our summer newsletter.

The end of 2007 is nearly upon us - and what a busy year it's been, with changes within both the financial services industry, and our business.

The introduction of KiwiSaver from 1 July, which includes benefits like the \$1,000 tax-free kick-start, tax credits and contribution towards fees, has meant that many Kiwis are seeing the benefits in saving for their retirement.

Following KiwiSaver, on 1 October, the Government introduced new Portfolio Investment Entity (PIE) investment tax cuts to certain types of managed funds. These were the most significant tax changes to managed funds for many years and result in income earned from PIE managed funds being taxed, in many cases, at a lower rate.

Both the KiwiSaver and PIE initiatives are designed to encourage New Zealanders to save, and as Financial Advisers, we are here to support and advise you in protecting your risks, growing your savings and building wealth.

We're pleased to announce that Ros Morris has successfully completed the AMP Adviser training programme and is now qualified to provide financial advice to clients.

If you have any administrative queries, including queries about policy renewals, Katrina Ward, our Client Services Manager is able to help.

We wish you and your family all the best for Christmas and hope you have a restful break over the New Year period.

### **Seasons Greetings**

**The team at SW Morris & Associates Ltd**

### **Closing dates**

S W Morris & Associates' office will be closed from Friday December 21 and will re-open on Monday January 14 2008.

### **Useful Contacts:**

AMP Customer Service: 0800 808 267 or Service@AMP.CO.NZ

AIA Customer Service: 0800 800 242

AXA Customer Service: 0800 106 652 or askus@axa.co.nz

Sovereign Customer Service: 0800 500 108 or enquire@sovereign.co.nz

Southern Cross Customer Service: 0800 800 109 or

info@sxhealth.co.nz

Tower Customer Service: 0800 754 754



## Tracking the unit price reporting of AMP investment funds

### **The new investment tax rules**

Managed professionally by a fund manager, managed funds pool money from other investors and use the collective buying strength to invest in a range of investments, e.g. cash, fixed interest, shares and property.

An investor can choose a particular managed fund based on different types of assets and levels of risk.

When you invest into a fund, you buy units. The cost of each unit is known as the 'unit price', and this shows the current market value of a set portion (unit) of the fund.

Unit prices change daily to reflect the changes in the market values of the underlying assets within your investments.

As the unit price shows the price at which people could buy (or sell) units at the date shown, by comparing the unit price on the date of investment with the current unit price, you will have an indication of how your fund is tracking.

### **PIE managed funds**

From 1 October 2007, a new set of tax rules introduced by the Government has changed the way some types of managed funds are taxed.

A 'PIE' (Portfolio Investment Entity) is a type of managed fund that uses these new tax rules. Rather than tax investors at the flat 33% tax rate (as in the past), a PIE managed fund taxes investment income according to each investor's 'Prescribed Investor Rate' (PIR). This may be 0%, 19.5% or 33%.<sup>1</sup>

The PIE tax changes have many advantages – mainly that they make investing in PIE managed funds more attractive, especially if you're on a lower income or can structure your investments to take advantage of a lower PIE tax rate. And if you're on a higher income, from 1 April 2008, the maximum PIE tax rate will be capped at 30%.

### **How PIE affects investment unit prices**

As a result of the new PIE tax rules, unit prices for PIE managed funds are now shown on a gross (before-tax) basis. Therefore, when comparing current unit prices, you need to consider any increase (or decrease) in the current unit price on a gross basis, and remember that tax (at your personal PIR) still needs to be taken into account.

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### AMP reporting of PIE fund unit prices

To reflect the PIE tax rules from 1 October 2007, AMP has incorporated gross unit pricing for all of its current PIE managed funds. These funds include AMP Classic Investments, Premium Investments, NZ and global fixed interest, NZ and global shares), KiwiSaver and the NZRT workplace based retirement plan.

Unit prices shown for PIE funds after 30 September 2007 are after management fees have been deducted, but before tax.

To view current unit pricing information for these funds, visit [www.amp.co.nz](http://www.amp.co.nz) and click on 'Savings & Investments' / 'Investment Performance'.

For more information on how the new PIE tax changes affect you, or if you have any questions about managed fund investments, please talk to your AMP Adviser.

<sup>1</sup> For information on how to work out your Prescribed Investor Rate (PIR), refer to the IRD web site at: <http://www.ird.govt.nz>.



### Quote of the month:

*"Earn as much as you can. Save as much as you can. Invest as much as you can. Give as much as you can." – Welleley, Rev. John*

## New Zealand OCR and economic update

### The official cash rate will remain unchanged at 8.25 per cent<sup>1</sup>

Reserve Bank Governor Alan Bollard said: "The outlook for the New Zealand economy and interest rates remains broadly consistent with the view outlined in the September Monetary Policy Statement. The labour market remains tight, domestic income growth continues to expand on the back of strong commodity prices, and core inflationary pressures persist. On the other hand, there are signs the housing market is moderating.

"Despite ongoing surpluses in the government's operating balance, fiscal policy is contributing to inflationary pressure. Any further easing in fiscal policy beyond that already announced will add further upside risks to medium-term inflation.

"There are a number of other upside risks to inflation, including the direct effects of the proposed greenhouse emissions trading scheme and rising global food prices.

"While the turbulence in global financial markets has eased somewhat, considerable uncertainty remains. This poses a downside risk for our key trading partner economies. In addition, the New Zealand dollar remains relatively high, restraining the externally-focused sectors of the economy.



"We believe that the current level of the OCR remains consistent with future inflation outcomes of 1 to 3 percent on average over the medium term."

### From AMP Capital Investors' weekly market and economic update - 5 November 2007

- **Business confidence** The NBNZ Business Outlook Survey for October showed an improvement in business confidence for the third consecutive month to a net -12.9%.

The more closely followed own-activity index - which measures firms' expectations of their own prospects over the next year and is a strong indicator of economic growth - also rose to 20.3%, which is consistent with an economy growing at a reasonable pace of around 2-3%. The inflation indicators of the survey remain uncomfortably high and suggest any easing in monetary policy is not likely for some time to come.

- **NZ trade deficit** The NZ trade deficit (an economic measure of a negative balance of trade in which imports exceed exports), for September printed at \$544 million. The trend deficit continues to deteriorate on the back of the strong NZ Dollar, offsetting the positive contribution from the stronger terms of trade.

- **Dwelling consents** Consistent with the slowing housing market, the number of dwelling consents issued fell 8.3% in September, down 13.5% from 12 months ago.

While the decline was largely a reflection of reversal of a spike in apartment consents in August, the ex-apartment consents (dwelling consents excluding apartments) also fell moderately and are flat compared to a year ago. Given lags and falling housing sales, residential building activity is set for a further (and bigger) downside, with the trend heading lower.

<sup>1</sup> The Reserve Bank News Release. 25 October 2007. [www.rbnz.govt.nz](http://www.rbnz.govt.nz)

# Financial Planning for Christmas and beyond

By Joan Baker, business consultant, wealth coach.

Christmas and annual holidays are almost here and many people will be wondering how to stretch the family finances in order to cover the extra expenses that are looming.

At this time of the year, many people face the unpalatable fact that they haven't budgeted enough to cover this period, and that another year has passed without making the financial headway that they promised themselves.

Let's be pragmatic: 2007 is almost over and the best you can do for your finances right now is to resolve not to overspend in the coming weeks. Don't be tempted to create a pile of debt that will have to be dealt with in the New Year – if you can't pay cash you probably can't afford it. If you have to use your credit card to get through Christmas (and they do help to smooth out cash flow) then resolve that this will be the last year!

**Then get busy on planning to make 2008 better. You can work through several key steps:**

- 1. Decide that you will finish 2008 in better financial shape.** All change starts with a decision that things will be different. You can discuss with your partner (or loved ones) what would be desirable or acceptable in a year's time, e.g. you might agree on how you would like to feel about your finances, what kind of Christmas/holiday you will be able to afford in 2008, what would success look like a year from now.
- 2. Set some numerical goals.** One of the reasons that many make so little headway with their finances is that they never get specific. It's important to be very clear about what you will actually achieve rather than simply hoping or expecting to 'do better'. You might, for example, agree on an amount that will be saved over the coming year, a level of income that you expect to achieve, a budget figure that you will agree to live within. Write these numbers down as you will refer to them throughout the year.
- 3. Set some strategies to get where you want.** This is about choosing what things need to be done to get results. Things you could consider include:
  - **Setting up an automatic payment.** Using the strategy of 'paying yourself first'; this involves sweeping a set amount from your pay each payday into a savings account. This is a painless way to create a surplus.
  - **Doing a budget.** Many people dislike the whole idea but unless you are fabulous at managing the detail (and remembering all of the calls on your money that seem to

come out of the blue like gifts, car registration, back to school expenses) it makes sense to map out your spending plan. This is all about making sure your money goes where you want it to, rather than wondering where it went! The best budgeting tool I have seen is at [www.sorted.org.nz](http://www.sorted.org.nz) and you can save and password your plan. It's worth the effort of doing a budget – after all, it's the unplanned spending that gets people into financial trouble.



- **Using separate accounts.** Some people find it helpful to use a number of accounts to manage cash. For example, you might decide that Christmas will cost \$2,000 next year. You can set up a Christmas account and deposit \$40 a week into it so that you know there will be \$2,000 there when you need it next year. Some banks allow you to have multiple accounts at no extra charge and this strategy may help you manage bigger expense items (like education, holidays, clothing, dentistry) that don't arise weekly or monthly.
  - **Planning to increase your income.** For some people, getting better results isn't just about spending less – it's also about working hard to earn more. Consider how you can do this: look for a better paid job, ask for a pay rise, get some more skills, take on some extra responsibilities, see how other members of the family can contribute more, take in a boarder, sell some stuff...
- 4. Take action. Just as in every other area of life, you have to do something differently in order to get a different result.** The best day is always today. Choose one thing (e.g., setting up an automatic payment, cutting up the credit card) and do it now. That will give you a sense of achievement and energy to go on.

*And this time next year, it **will** be different!*



# Protecting your assets over the holiday period



Summer is an ideal time for many of us to take time out to enjoy the best of New Zealand's beaches, scenery and warmer weather.

However, as people are out of their usual routines and can leave their homes unattended for extended periods, it's also a more risky time for burglaries.

Make sure that you have current insurance cover for your house, contents and car and that you're familiar with your insurance policy and what you're covered for.

And if you're planning a trip away, it's wise to take some precautions to ensure your home and assets are well protected, whilst reducing temptation to intruders.

## Protecting your home

Use this simple checklist to help you protect your home while you're away on holiday:

- If you haven't already, consider installing deterrents like security lights and a burglar alarm. Having a burglar alarm professionally installed may also reduce your insurance premium
- Check the security of your window catches and doors. Consider installing deadlocks for added security
- If possible, use timers on lights and radios to give the appearance that someone is home
- Check batteries in the smoke detectors around your home
- Hide valuables, such as electronic equipment from outside view
- Ensure all doors and windows are closed and locked and leave a key with someone you trust
- Ask a neighbour to collect your mail and give them your contact phone number and date of return
- Put newspaper and magazine deliveries on hold or alternatively get someone you trust to collect them regularly
- Make arrangements for your family pets to be cared for in your absence
- Lock away ladders and tools that could be used to gain access to your home
- Check for leaks, including pipes or taps and get these repaired. Better still, turn your water off at the outside mains, and turn off your hot water cylinder
- Record serial numbers of electronic equipment (e.g. TV, DVD, stereo)
- Store important documents, including receipts for expensive items in a safe place

If there is a burglary and/or any damage to your property, report it to the Police, then to your insurer (or AMP Adviser), as soon as possible.

## Reviewing your contents cover

Your home contents not only include your furniture, appliances and chattels, but also your floor coverings, drapes, curtains and blinds.

It's a good idea to review your contents sum insured annually, or whenever you upgrade or buy new items, including portable or electronic equipment. It's also important to ensure that expensive items, such as jewellery and photographic equipment are included on your policy.

Some insurers also provide 'At and away from the home cover', an optional benefit that can cover your contents for accidental loss or damage anywhere in New Zealand, while they're temporarily removed from your home.<sup>2</sup>

The amount of cover you have affects your premium, and if you're concerned about cost, you could consider increasing your excess and taking advantage of multiple policy discounts (e.g. 10% discount if you take both home and contents with one insurer). This way, if you need to make a claim, you have enough cover to replace items that have been lost or damaged.

For more information about protecting your assets, please contact your AMP Adviser.

<sup>2</sup>For further details, please refer to the AMP Home Plan Maxi Policy Wording, or talk to your AMP Adviser.

The information and views contained in this newsletter are not necessarily the views of AMP, or AMP Adviser Businesses. The information included is of a general nature and is not a substitute for financial or other professional advice.

In relation to any investment information, it is important to note that past performance is not an indicator of future performance; and neither AMP nor AMP Adviser Businesses guarantee that an investor will receive any of the returns stated in this newsletter.

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